

Message Text

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PAGE 01 MONTEV 01235 061833Z

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

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NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 1000

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E.O. 11652: N/A

TAGS: ETRD, UY

SUBJ: SHOE IMPORT RESTRICTIONS

REF: MONTEVIDEO 984

1. GOU MINISTER OF ECONOMY AND FINANCE, VEGH VILLEGAS, CALLED IN EMBOFF APRIL 5 TO MAKE DEMARCHE CONCERNING POSSIBLE RESTRICTIONS ON SHOE IMPORTS BY THE U.S. SAYING HE HAD SPOKEN TO THE FOREIGN MINISTER, VEGH WISHED TO PRESENT GOU VIEWS ON THIS SUBJECT.

2. THE MINISTER POINTED OUT THAT SHOES WERE AN EXPANDING INDUSTRY FOR URUGUAY, INDEED A "SHOWCASE OF ECONOMIC REFORM". URUGUAY'S SMALL SCALE, INEFFICIENT INDUSTRY HAD UNTIL RECENTLY ONLY SERVED THE DOMESTIC MARKET. RESPONDING TO A REFORM STIMULUS GIVEN BY THE GOVERNMENT IN THE FORM OF REALISTIC EXCHANGE RATES, EXPORT PROMOTION AND A WELCOME TO FOREIGN INVESTMENT, LOCAL PRODUCERS HAVE RE-ORIENTED AND EXPANDED PRODUCTION TO TAKE ADVANTAGE OF INTERNATIONAL OPPORTUNITIES. MOREOVER, URUGUAY'S DOMESTIC MARKET IS CURRENTLY VERY DEPRESSED AND EXPORTS THEREFORE PARTICULARLY IMPORTANT.

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PAGE 02 MONTEV 01235 061833Z

3. THE MINISTER SAID THAT RESTRICTIONS PROPOSED BY ITC COULD BE

A FATAL BLOW TO THIS DEVELOPING INDUSTRY. EVEN MORE SERIOUS, IN HIS OPINION, WERE IMPLICATIONS THAT THIS CASE COULD HAVE FOR OVERALL ECONOMIC POLICY HERE. THIS POLICY, WHICH IS BASED ON OPENING THE ECONOMY TO INTERNATIONAL COMPETITION, REQUIRES EXPANDED MARKETS FOR THOSE ITEMS USING INDIGENOUS MATERIALS AND WHERE URUGUAY HAS A COMPARATIVE ADVANTAGE. THE MINISTER SAID THERE WERE MANY, BOTH IN AND OUT OF GOVERNMENT, WHO OPPOSE A DEVELOPMENT STRATEGY RELYING ON INTERNATIONAL TRADE AND IF PROSPECTS FOR SHOE INDUSTRY WERE NOW DESTROYED BY U.S. PROTECTIONISM, THESE OPPONENTS WOULD SURELY CAPITALIZE ON IT. MINISTER UNDERLINED THIS POINT SEVERAL TIMES AND PARTICULARLY URGED THAT QUOTAS NOT BE IMPOSED.

4. EMBOFF NOTED CURRENT DIFFICULTIES FACING U.S. SHOE INDUSTRY AND REITERATED OUR CONTINUED SUPPORT FOR TRADE LIBERALIZATION AND CURRENT GOU ECONOMIC POLICY.

5. COMMENT: INFORMATION REQUESTED IN REFTTEL NOT YET RECEIVED. MINISTER'S PRESENTATION REINFORCES OUR VIEW THAT U.S. TRADE RESTRICTIONS ON SHOES, ESPECIALLY AGAINST LDC PRODUCERS, WOULD NOT BE UNDERSTOOD AND WOULD SERIOUSLY DAMAGE OUR INTERESTS HERE.
HAAHR

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Margaret P. Grafeld
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